
FINANCING PUBLIC EDUCATION

“I believe that educating our young people is no more and no less than the central driving force for any community that aspires to greatness.”

Mayor Anthony A. Williams
State of the District Address, February 2000

Understanding the Costs of Educating a Child – the Context for Funding

In 2000, the District witnessed a number of events that, cumulatively, continued the rebuilding of a solid foundation for education in the District of Columbia. These events tell the story both of increasing accountability and the need for continued fiscal and other supports to ensure effective, long-lasting reform.

First, the Mayor and the City Council “fully funded” schools in FY2001 with an increase of \$80 million over the prior year’s budget. This action set an important precedent for adequate funding, putting schools squarely at the top of the city’s agenda, despite competing funding pressures citywide. While certain education costs are District-specific, it is important to note that the cost of educating a child continues to grow, across the nation, as enhanced technologies and 21st century learning become educational imperatives. In the District of Columbia, as in many urban school systems, these costs include more than the traditional inputs.

Second, District residents voted to create a “hybrid” school board, comprised of five elected and four appointed members designed to bring together the best minds in service to schools and children. The board was installed in January 2001 and has submitted its first budget request. It has also begun to build a partnership with the State Education Office and the city’s public charter schools.

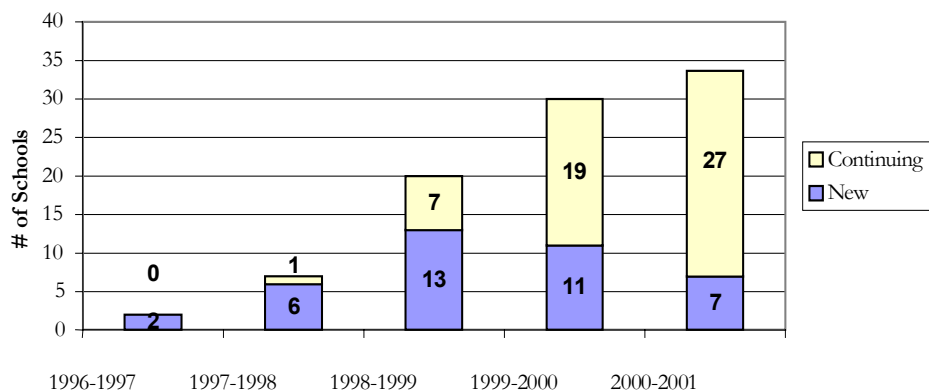
Third, City leaders laid important groundwork for autonomous, accountable management of District of Columbia Public Schools (DCPS). While initiated reforms require additional work and ongoing improvement, the steps taken reflect movement in a direction that leads to greater authority and autonomy for principals and removal of barriers to securing supplies, teachers, and paychecks. Following a DCPS-commissioned report in July 2000, “Rebuilding the DC Public Schools: Restructuring Key Systems to Support Student Achievement,” District officials convinced Congress to grant budget authority to DC Public Schools and the public charter schools to expend a portion of their FY2002 budgets early so that schools can undertake the actions necessary to secure supplies and components required for the start of school in September. (On July 1 DCPS will have budget authority to expend ten percent of the FY2002 budget and the Charter Schools, up to 25 percent.) This is an important first step toward a permanent alignment of the schools’ fiscal year with the academic year. Procurement authority for schools was returned to DCPS, freeing up its Office of Contracts and Acquisitions to streamline policies and procedures in line with schools’ needs. As a first

step in this process, DCPS has implemented a purchase card program, which allows principals to make small purchases directly and quickly without central office action. Finally, DCPS is engaged in an ongoing process to drive a state-of-the-art procurement system and is in the final stages of hiring its senior staff, including a Chief Operating Officer.

Fourth, efforts to recruit and retain the brightest teachers and principals are underway and will yield results in FY2002. The DC Teaching Fellows program was launched in winter 2000 and has already attracted several hundred recruits, 100 of whom will begin an innovative training program in summer 2001 in preparation for placement in DC classrooms in the fall. Initiatives to recruit and retain outstanding principals are reflected in the school board's budget proposal (LEAD Principals and DC Teaching Fellows are described in greater detail in Chapter 2) and enjoy the support of City officials, business leaders, and community members. Finally, collective bargaining agreements with teachers this spring will seek to make DC teacher salaries competitive with neighboring jurisdictions. (Currently, a DCPS teacher makes, on average, \$8,300 less than counterparts in Arlington County and \$5,500 less than his counterpart in Montgomery County.)

Fifth, charter school population has continued to grow although the rate of new openings has slowed since 1999. Estimates suggest that 20 percent of the public school population, about 13,000 children, is projected to attend charter schools at the start of FY2002.

Figure 1-1
Number of New and Continuing Charter Schools¹



Sixth, the State Education Office (SEO) was created this year and assumed its first four mandated functions. This office was created to address challenges unique to the District of Columbia, in which DCPS, until recently, fulfilled both local education agency and all state education agency functions. The creation of an independent SEO was legislated by the State Education Office Establishment Act (DC Act 13-387), passed by the City Council in July 2000. The mission of this office is to “enhance the administrative efficiency of state-level education functions and ensure the equitable distribution of resources.” In the short term, the SEO will oversee federally-funded nutrition programs, verify fall enrollment counts, establish public rules for verifying student residency, and make recommendations on the

¹ "Pushing Forward, Reaching Upward OR A Seat at the Table: An Evaluation of Charter Schools in the District of Columbia, 1999-2000," Center for Washington Area Studies, George Washington University, February 2001.

appropriate level of the Uniform Per Student Funding Formula (UPSFF). The SEO has been charged with preparing a long-term plan to identify additional responsibilities.

Seventh, the school modernization program has made some progress, but still requires continued, intensive focus to complete budgeted projects and undertake new initiatives. The city's investment in facilities has been significant but some the returns have been disappointing. The Mayor and City Council invested \$169 million in the Capital budget in FY2001 for ten schools across the city. Eight of these ten schools are in design; the ninth is in a pre-design and feasibility study phase; and the tenth is in the second phase of a three-phase construction schedule. The construction phase on the schools that are currently in design is scheduled to begin this summer. A second round of school modernization is in the planning stages.

Overall, the District has authorized a total of \$777 million, funded in annual installments, for facilities modernization and renovation from FY2001 to FY2006. The DCPS FY2002 to FY2007 budget submission requests \$55 million in additional funding/reprogramming for FY2002 to support the current round of modernization. In addition, DCPS has adopted a new Master Facilities Plan, which must be approved by the City Council. Implementation of the full, ten-year plan is projected to cost at least \$1.5 billion, an increase of up to \$1 billion over what the current capital budget can support. The final allocation determined by the Mayor and the City Council.

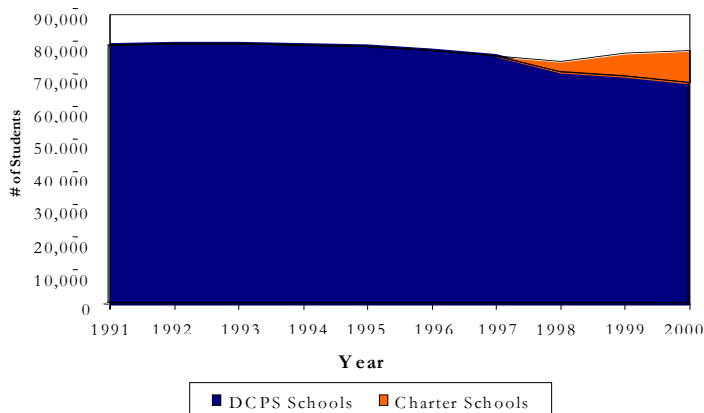
A System of Schools for the 21st Century

The Mayor's vision for education posits a system of both traditional public and public charter schools that allows parents to choose among vital, effective schools, gives every child access to an excellent education, and provides learning environments in which teachers and principals can both inspire and be inspired.

To realize this vision, the District of Columbia must support an adequately resourced system of schools in which the appropriate authorities can make thoughtful policy decisions, based on sound data and tested research. The DCPS, the Superintendent, and principals must also be equipped to ensure the effective implementation of these decisions. In this system, educators will be supported and accountable for designing and implementing challenging in- and out-of-school learning opportunities for children aged four and older.

The District's experience demonstrates that public school choice strengthens public education and simultaneously presents new challenges. Enrollment counts (when they include charter school enrollments) indicate that, after declining for the past several decades, overall enrollment in public schools in the District is again in a pattern of gradual growth. In 1990, there were 80,694 public school students, all served by DCPS. In the 2000-01 school year, after reaching a low of 77,111 in 1997, enrollment totaled 78,581, with over 9,000 of those students served by 37 charter schools. Public school choice means supporting excellence in DCPS schools while ensuring viable alternatives for parents in the form of charter schools. It also requires policymakers to borrow from what works in DCPS and charter schools, as they develop initiatives to strengthen all local schools.

Figure 1-2
School Enrollment



Source: District of Columbia Facility Master Plan

The District's experience, however, also evidences the growing pains that accompany the evolution of a new system over a short period of time. Insufficient access to adequate facilities and capacity to generate school-based services for special education continue to drive increases in spending. However, the District does not receive the same levels of state funding as its urban counterparts in the fifty states. In fact, an analysis of similarly situated cities in FY2001 indicated that state funds make up approximately 43 percent of district budgets, with the balance made up with federal and local funds. In sharp contrast, neither DCPS nor the charter schools receive such supplemental funding. Both DCPS and the charter schools receive federal funds, such as Title I and other federal grants.

This chapter seeks to support sound budget development and decision-making for FY2002 by:

- Explaining increases in the education budget and comparing these figures to neighboring and/or comparable jurisdictions;
- Describing the means by which the District of Columbia funds schools and clarifying the advantages and disadvantages of this approach;
- Identifying ongoing spending pressures and challenges for public schools; and
- Identifying options for further research and consideration.

The FY2002 Budget

From FY1998 through FY2001, the District of Columbia budget² for public schools has increased at a rate of 22.1 percent, in line with neighboring jurisdictions, as demonstrated below.

² This figure represents the gross funds budget for DCPS, which excludes charters and includes all funding sources.

Table 1-1
Operating Budgets over Time

(Note: Jurisdictions may differ in defining “operating funds.”)

School District	FY1998 Operating Budget (\$ millions)	FY1999 Operating Budget (\$ millions)	FY2000 Operating Budget (\$ millions)	FY2001 Operating Budget (\$ millions)	Jurisdiction Defined Change			
					1998- 1999	1999- 2000	2000- 2001	1998- 2001
Washington, DC	642.7	677.3	717.3	784.9	5.4%	5.9%	9.4%	22.1%
Montgomery Co. MD	958.4	1,034.8	1,105.6	1,218.9	8.0%	6.8%	10.2%	27.2%
Prince George’s Co. MD	780.4	844.9	884.1	942.1	8.3%	4.6%	6.6%	20.7%
Baltimore City, MD	747.0	800.5	840.5	856.7	7.2%	5.0%	1.9%	14.7%
Arlington, VA	190.5	203.2	213.2	228.3	6.6%	4.9%	7.1%	19.8%
Alexandria, VA	102.6	107.0	114.7	120.1	4.3%	7.2%	4.7%	17.1%
Falls Church, VA	15.0	15.4	17.4	19.6	2.5%	13.2%	12.6%	30.5%
Fairfax, VA	1,100.7	1,147.1	1,271.7	1,423.6	4.2%	10.9%	11.9%	29.3%

Notes:

1. DC figures are actuals for FY98-FY99, approved for FY00-FY01 for DCPS from all funding sources (federal, local, and other funds). However, DCPS’ budget is built on the October enrollment numbers.
2. Montgomery figures are actuals for FY98-00, budgeted for FY01, <http://www.mcps.k12.md.us/departments/publishingservices/PDF/citbudget.pdf>, accessed 2/20/2001.
3. Prince George figures are approved FY98-01, from phone call to school budget office on 2/21/2001.
4. Baltimore City figures from <http://www.bcps.k12.md.us/remedy/budgetnext1.htm>, accessed 2/21/2001.
5. Arlington figures are adapted for FY99-01, http://www.arlington.k12.va.us/departments/budget_finance/downloads/fy2001_budget.pdf, accessed 2/21/2001.
6. Alexandria figures are actual FY98-99, approved FY00-01, <http://www.acps.k12.va.us/budgets.html>, accessed 2/20/2001.

The comparisons with other jurisdictions, some facing the same spending pressures that confront the District, and others less so, demonstrates that cities and counties across the region are finding additional funds to support increasing costs for educating children and providing them a range of additional support services.

How the District of Columbia Funds Its Public Schools

The District of Columbia School Reform Act of 1995 (the “Act”) prescribes the budget development and execution processes for the District of Columbia public education system, and defines the process of chartering schools in the District. Included in the Act is the creation of the UPSFF, to be used as the basis for funding all public education students, whether they attend public schools or public charter schools. Allocated funds are specifically tied to enrollment, with the intent that funding will follow individual students to their school of choice. The inability to track students as they transfer from public to public charter schools and vice versa has surfaced as a problem in recent years and will require more rigorous attention.

As directed by Congress, an initial version of the UPSFF was developed and passed by the Council of the District of Columbia in 1996. At that time, the formula applied only to public charter schools (there were two at the time) and was constructed to fit within a

previously determined appropriation level. In FY2000, the UPSFF was used to set the level of appropriated funds for all schools for the first time.

The initiation of charter schools in the District of Columbia and the need to ensure equity across all schools were key factors in the creation of the formula. The growth of charter schools, the most rapid in the nation, tells this story. The District's first two charter schools opened in FY1996. The total local funding for all public charter schools in FY2000 reached \$47 million. In FY2001, that budget more than doubled to total \$105 million.

How the Money Follows the Child

The Uniform Per Student Funding Formula

As defined in the School Reform Act of 1995 and DC Act 12-494 "Uniform Per Student Funding Formula for Public Schools and Public Charter Schools Second Emergency Act of 1998," the UPSFF allocates a fixed budget per child with additional funds provided for pre-school, pre-kindergarten, elementary, and high school students, as well as special education students, those with limited English proficiency, and non-English proficient students (LEP/NEP).

The formula, which initially set a base level of \$5,500 per student for charter school students in FY1999, was crafted by a working group that included key government staff and community stakeholders. The formula level was based on the following inputs:

- A cost analysis of the resources necessary to educate every child, including class size ratios, books, teacher salaries;
- A comparison of that figure to those set by other states with statewide formulas, namely Wyoming, Illinois and New Jersey;
- Adjustments for inflation and geography, that account for cost-of-living differentials from state to state; and
- A review of how much DCPS was spending at the time, and an analysis of how that money was spent.

In FY2001, the per student allocation was raised to \$5,728 and then to \$5,907 in FY2002, with adjustments made for inflation.

The District's UPSFF, though built on standard concepts used in formula funding throughout the country, is unique because of the District's fusion of state and local level functions. In other jurisdictions, formula-based funding provides only a part, and sometimes a small part, of state/local school district revenues, with the rest coming from the state; whereas, in the District, the UPSFF is the basis of all funding.

Another important feature of the District's funding formula is that it provides equity between the traditional system and public charter schools. Whatever public school a student attends, the same amount goes directly to the school. Each charter school's budget decisions are made at the school site, under policy set by a board of trustees for that school.

DCPS local budget is also based on the uniform formula multiplied by the aggregate number of students. The school system receives its budget at the beginning of the year and then redistributes it to local schools to be allocated by each school's Local School Restructuring Team (LSRT).

The Weighted Student Formula

DCPS allocates 62 percent of local funds (which, in the District, includes both local and designated state-level costs) directly to schools through the WSF introduced in 1999. The allocation for each child is determined by the child's grade level, and supplemented if the child is eligible for special education, free or reduced price lunch, or English as a Second Language (ESL) services. Weights are attached to each category to determine the supplemental amounts that will be awarded per child.

The purpose of the WSF is to allocate money more equitably and to increase the local school's control over how the resources are spent. Once funds are awarded, principals, in conjunction with their LSRTs, develop detailed budgets tailored to support the school's academic plans. The budget funds school-based instructional, administrative, and custodial staff, as well as educational and office supplies (except educational text books which are purchased centrally to achieve cost-savings and ensure conformity with the school system's academic standards). Schools' WSF expenditures are supplemented by services provided by the central administration – some of which are sited in schools. Centrally provided services include facilities maintenance, security and utilities, as well as the administration of federal grants and grant-funded programs. The WSF is similar in structure to the UPSFF, but with a lower base amount. DCPS retains the balance to pay for system administration and other central functions.

Among other advantages reported by schools, the WSF has allowed schools to:

- Hire hourly employees to supplement or provide services not previously available at the schools, such as tutoring, technology training and repair, monitoring truants, and hiring part-time help that would otherwise be unavailable;
- Provide targeted staff development tailored to their schools' and staffs' particular needs;
- Meet additional needs of LEP/NEP student populations by implementing supports such as language labs; and
- Employ parents to staff parent centers.

As noted, under the UPSFF, charter schools, receive the same per-student allocations. They use a range of governance structures, instead of LSRTs, to allocate those funds. The Board of Trustees for each charter school has ultimate authority over spending.

One possible disadvantage of the WSF is that it inhibits standardization of certain educational offerings – such as music or art, for example – because such functions are currently funded at the individual schools' discretion. Ultimately, the underlying assumption of the WSF is that local schools will make the best choices for their students and that there should be only limited restrictions on their use of funds.

State-Level Functions

As noted earlier, the District does not receive the same level of state funding as its urban counterparts, which receive nearly half of their dollars from the state. In the District, costs designated “state-level” are funded by local dollars that are provided in addition to the UPSFF. In its distinction of state and local functions, the District is unlike other systems. With one exception (Hawaii, whose unitary state-wide school system is not funded by

formula), school districts throughout the country are funded by a mix of local and state revenues, plus a small percentage of federal and private grants.

In the District, the education budget is submitted along with those of all other local government agencies. The Mayor and the City Council, in an annual legislative process, then decide on the amount of the appropriation. In other jurisdictions, revenues are obtained through real property taxes levied by an elected School Board. These funds are then allocated through an independent revenue stream. Over 90 percent of U.S. school districts have taxing power.

States also generate revenues used to fund local school districts from income, sales and excise taxes. The revenues are distributed to local districts as basic aid, by formula, and as categorical aid (special purpose, restricted), sometimes by specialized formulas, but more often on other bases. Formulas determine how these funds are allocated among districts, and attempt, at least in some instances, to enable local districts to provide a certain, minimum standard level of funding that is ostensibly sufficient to enable all students to receive an “adequate” education, or to meet state academic standards. This mechanism allows states to compensate for local funding deficiencies. There have been continued court cases to determine what constitutes “adequacy.”

In the District of Columbia, DCPS has served as both State Education Agency (SEA) and Local Education Agency. In FY2001, a new State Education Office (SEO) was created, and assumed some of the state functions. This office is described in greater detail below. DCPS still retains certain state-level functions and, in this capacity as SEA, it must provide:

- Tuition payments for all special education students attending non-public schools;
- Transportation services for special education students;
- Education and related services to wards of the state;
- Education and related services to students under the supervision of the Commission on Mental Health;
- Education and related services to students who are detained or who reside at Oak Hill Youth Center;
- Special education monitoring and administration;
- Charter school oversight and maintenance of other costs provided to charter schools; and
- Administration of the spring SAT-9 to all public schools.

Funds for state-level activities are provided in the annual budget, in addition to funds generated by the UPSFF. State funding levels are based on the projected need as determined by the number of students receiving services. As the table below shows, state-level costs comprise approximately 18 percent of DCPS’ overall budget.

As noted earlier, since the beginning of FY2001, some of the SEA functions previously assumed by DCPS have come under the aegis of a separate SEO, created by DC Act 13-387. In its inaugural year, 2000-2001, the SEO has four major responsibilities: authority for child food and nutrition programs; verification of annual fall enrollment counts; formulation and promulgation of rules for documentation and verification of district residency; and analysis

of the UPSFF. The SEO is now acting as the authority for the child food and nutrition programs. The other programs are preparing for full implementation next fall.

The SEO has undertaken a comprehensive review of the UPSFF and expects to report findings in time for the FY2003 budget cycle. A key element of this study will be benchmarking special education costs in the District against those of comparable jurisdictions with successful programs.

The SEO has also been charged with the task of identifying possible additional functions to be assumed by this new body.

Figure 1-1
FY2002 Budget by Function

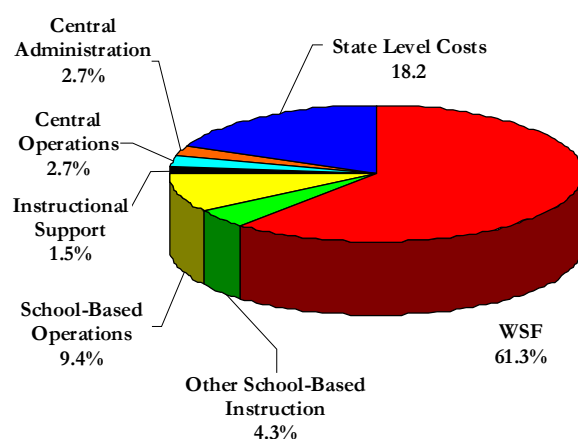
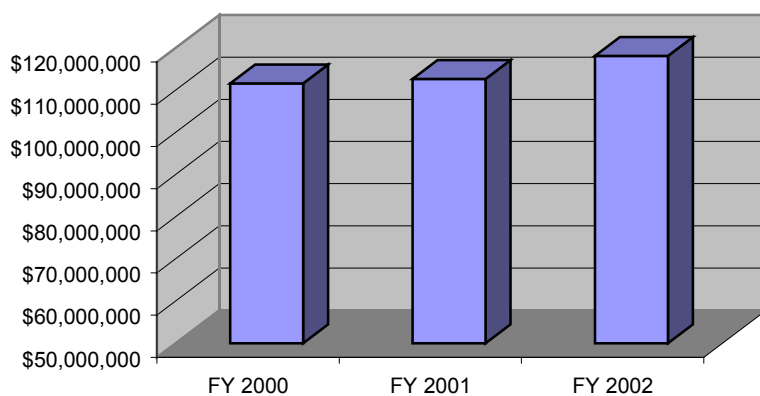


Figure 1-2
State-level Spending



Spending Pressures and Challenges for DCPS

As noted earlier in this chapter, several recent trends have had a significant impact on the DCPS budget. Increases in the number of special education students and those for whom

English is a second language have increased overall costs for education. In addition, the growth rate of charter school enrollments has outstripped projected growth rates for DCPS, which means that the District has to fund more students in all schools. At the same time, the overall population of special education students, who require additional resources, has grown and is predicted to be close to 20 percent of the total school population in FY2002. In short, the District of Columbia is now funding more students with greater needs and is struggling to maximize facility capacity to support 21st century learning environments for all of its children.

Enrollment Trends

At the beginning of the 2000-2001 school year, DCPS' enrollment was 68,925, a nearly 2,000-student decrease from the previous year's enrollment. During this same period, there was a 9.4 percent increase in the number of its special education students. There has also been growth in the number of LEP/NEP students; currently, DCPS educates students who speak 108 different languages. In addition, schools have experienced an increase in the severity of need of students who are refugees and have increased services associated with refugee students in recent years. The District has also seen an increase in the number of students entering DCPS with inconsistent or no prior schooling.

Class Size Reduction Efforts

Research has repeatedly shown lower class sizes can significantly improve students' reading and math test scores. Statistical analyses of Tennessee's Project STAR (Student/Teacher Achievement Ratio) have shown that students in classes of fewer than 18 students achieve at higher levels than their peers in classes of over 18 students. Perhaps most importantly, project STAR has demonstrated that test score gains are greatest among economically disadvantaged and minority students. Many other studies in other states including Wisconsin's SAGE (Student Achievement Guarantee in Education) program and California's class size reduction efforts have provided similar results. As demonstrated in Wisconsin, these programs have proven particularly effective in bridging the achievement gap between students of varying socio-economic levels.

DCPS currently provides average class sizes of about 18 in pre-school and pre-kindergarten, and an average of less than 20 for kindergarten through 3rd grade. However, because the UPSFF was designed to support class sizes of 22, these reduced levels create additional pressure on the budget.

In neighboring Districts, class sizes tend to be smaller. Alexandria is phasing in "differentiated resources," depending on a school's percentage of low-income children, a practice already in place in the DCPS under the WSF. At one DCPS elementary school not included in the chart below, the class size will be set at 11 for kindergarten and 15 for the school in general.

Montgomery County Public Schools has undertaken a three-year initiative to reduce the average class size to 17 in grades K-2 in schools with high numbers of at-risk students. In full-day kindergarten, classes are to average 15. In addition to general allocation ratios, the county has placed upper limits ("caps") on class size, and instituted a funding program to eliminate oversize classes, in part to increase the number of Honors and Advanced Placement classes in middle and high schools.

Fairfax County caps its 1st grade classes at 25, with averages in some schools' 1st grade classes at either 15 or 20.5. Secondary school classes in subjects that require the state's Standards of Learning exams are capped at 28. The state of Virginia has set caps for all classes in grades K-3 based on their percentage of low-income students.

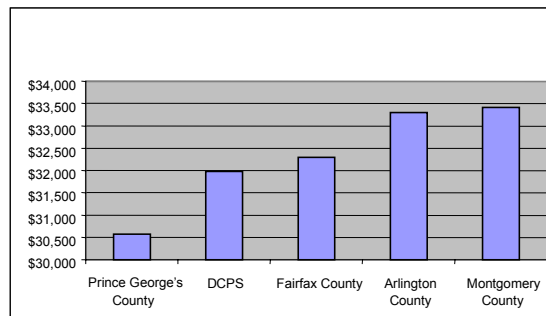
It is important to note that there are some researchers who question whether small reductions in class size make as significant a difference as attracting and retaining high quality educators. These studies suggest that the quality of the teacher is the more important budget and policy priority. This is an area worthy of further review by the Board of Education.

Teacher Salaries

As figure 1-4 demonstrates, DCPS lags behind almost all neighboring jurisdictions in starting salaries, maximum salaries and average salaries for teachers. On average, DCPS teachers make about \$8,500 per year less than their counterparts in Arlington County and \$5,500 per year less than teachers in Montgomery County.

Aggregate figures for both teacher salary levels and class sizes are not available for charter schools; they vary from school-to-school.

Figure 1-3
Beginning Salary for Teachers



Special Education

The District faces a set of complex challenges in the area of special education. While the overall population of the schools in the past two years has declined slightly, the special education population has grown by 35 percent, or nearly 3,000 students, since December 1998. Special education students currently make up over 16 percent of the total student population and emerging trend data suggest that that percentage will increase to about 20 percent. In the past year, the number of monthly referrals for services has jumped by more than 50 percent, with 90 percent of referrals generally leading to determination of eligibility for services.

Table 1-2

Special Education Population as Percent Of Total School Population
For DCPS³

School Year	**Total Population	Special Education Population	Percentage
1998/1999	71,889	8,178	11.38
1999/2000	70,762	9,381	13.26
2000/2001	68,925	11,047 (current)	16.03

For DCPS, because the cost of educating special education and LEP/NEP students is much higher than the cost of educating other students and the percentage of students requiring such services has grown as the system's overall enrollment has declined, the average cost of educating each child has increased. This is somewhat less of an issue for charter schools.

A February 2001 report by the Center for Washington Area Studies suggests that charter schools serve a lower percentage of special education and LEP students, although charter school authorities do not believe that the Center's findings accurately reflect their student population. It is unclear how much of the purported differential may be due to students who are eligible for special education or other services, but lack complete individualized education plans from their school.

Table 1-3

Initial Special Education Referrals SY1999-2000 to SY2000-2001

Month	Number of Referrals In 1999	Number of Referrals In 2000	Increase in Number	Percent Increase
September	160	217	57	+35.6%
October	133	227	94	+70.7%
November	141	230	89	+63.1%
December	117	113	-4	-3.4%
TOTAL	551	787	236	+42.8%

While special education presents challenges to all schools, it has been especially problematic for DCPS for some time. Because there is a shortage of qualified teachers and aides in the school system who can provide the specialized services children need, most local schools presently cannot accommodate special education students. DCPS' critical need to build capacity at the local school level competes with its obligation to fulfill special education state-level functions and to comply with settlement and compliance agreements resulting from previous legal cases.

As the SEA, DCPS is required to transport to special education placements all eligible children in the District, including those served by charter schools and those served by private institutions located in 14 surrounding counties. Compliance and settlement agreements that resulted from past legal cases prescribe very specific standards of service and impose severe financial penalties for non-compliance. These services can be extremely costly and can vary unexpectedly during the fiscal year. Transportation costs for school year

³ Population figures in the Special Education Population Increase chart are based upon the December 1 Child Count. Until Child Count is verified, the current figure is reflected in SETS as of January 16, 2001.

2001 to 2002 are budgeted at \$32 million. DCPS is working to reduce these costs through improved systems and initiatives.

DCPS is expanding local special education placements, so that more students can receive services in their neighborhood schools. During the 2000-2001 school year, DCPS created over 500 placements for students who otherwise might have been placed in non-public schools. In addition, DCPS is studying proposals for staggered bell times to allow each bus to transport more students, automating routing to ensure that all buses are used to maximum efficiency, and working with the Special Master to identify students who can use public transportation to get to and from school.

Capping costs associated with legal actions in connection with special education has proven a controversial issue for policymakers. There has been a tension between the need to ensure attorneys fair compensation so that all children can be effectively represented, and the need for the system to protect itself from exorbitant legal claims. Many city officials supported an attorney fee cap as a stopgap in FY2000 to give schools the opportunity to remove much of the backlog in cases, but did not support it as a permanent policy solution. In FY2001, Congress sustained a cap on hourly attorneys' fees to limit the costs for DCPS.

DCPS must also comply with the *Blackman-Jones* Settlement Agreement, which requires the timely assessment and placement of students. Although DCPS has opened 1,000 new placements in local schools over the past two years, with approximately 2,000 students remaining in costly private placements, greater District capacity is needed. The cost of placing students at private institutions averages \$34,000 per child for day schools, \$61,000 for residential programs. By reducing the number of non-public placements, DCPS will also reduce its transportation costs. Several new charter schools have been created to place special education students in the District.

The implementation of the Special Education Tracking System database has dramatically increased DCPS' ability to monitor special education students and services, produce quality data, and conduct the analysis required to produce accurate, specialized projections of need and to improve planning.

For charter schools, special education pressures are somewhat different. Charters' special education funding levels have not kept pace with costs. This is because, charter schools that choose to act as "local education agencies" for special education purposes bear the entire cost of evaluation and service delivery, and in many cases run a deficit on each child they serve. Even those that elect to affiliate with DCPS for special education services find that the formula does not fully support the costs of staffing, curriculum, technology, and related services. For any charter school seeking to serve students with expensive, low-incidence disabilities, the gap is more severe.

Facilities: Rebuilding an Aging Infrastructure

There are 154 operating elementary, middle, junior high and high schools in DCPS. Most of the schools are in need of full modernization or replacement. The average age of the schools is 65 years, with eight schools constructed in the 19th century. No new schools have

been built since 1980. Some 70 percent have been determined to be in poor physical condition. All of the schools were constructed prior to the modern use of technology.⁴

A desire for quality school facilities continues to be one of the key priorities of District citizens, as evidenced by the Master Facilities Plan developed by DCPS with citizen input. The projected cost of implementing the Master Facilities Plan, which will modernize or replace 60 targeted schools, is at least \$1.5 billion. This plan outlines a ten-year proposal to bring all DCPS schools into the 21st Century. Approved by the School Board in February 2001, the plan now awaits action by the City Council and Congress. Nonetheless, the draft plan is already being used to guide policy and funding decisions.

Investments in school facilities have been significant over the last few years. The Mayor and City Council invested \$169 million in FY2001 to replace or modernize ten schools across the city. These dollars funded the first phase of a five-year improvement plan, beginning in FY2001 and extending through FY2006, totaling \$777 million.

Despite significant investment, many policymakers have observed that the progress of construction has been slow and that DCPS has been behind schedule in allocating funds. DCPS officials assert that while they are slightly behind schedule, the apparent delay results from the fact that whole school modernizations require the expenditure of more time and fewer dollars in the planning stages, which are currently underway. Early draw-downs of funds tend to be less than construction phase draw-downs. For example, a project of \$10 million over two years might only see \$200,000 used over the first year, but \$800,000 the second year. In addition, they cite the need to keep schools functioning and undertake essential, but smaller-scale repairs such as replacing bathroom doors and removing asbestos as likely the greatest source of slowdown and increased costs. The fact remains, however, that construction of at least ten schools should be underway in FY2002, with ten more in development over this funding year. The system will build credibility by fulfilling on these public commitments, short- and long-term.

The ten schools identified for the next phase of work are designated by the recommendations of the Master Facilities Plan. Planning funds are included in the FY2002 budget to complete the plans to replace/rebuild those schools. There are a number of outstanding issues to be resolved, including identifying swing space options and choosing between whole school replacement or modernization.

Facilities are also a particular area of difficulty for charter schools. In some respects, the District's charters are better off than their counterparts elsewhere, because the UPSFF provides a facilities allotment (projected at \$1,421 per pupil) that is roughly comparable to the amount spent on capital by DCPS. For some charters that operate small, leased quarters, this amount is satisfactory. However, as the District continues to add new charter schools, and the majority of operating charters is authorized to expand, over time, both the grades they serve and the number of students they enroll, their existing buildings may prove inadequate. Two recent District appropriations measures addressed funding for "credit enhancements" to allow charter schools to seek creative financing in conventional lending

⁴ DCPS DRAFT Master Facilities Plan, DeJong and Associates, December 20, 2000.

markets. Financing has been a significant obstacle for new and existing charter schools. These measures will provide charters access to more assured financing options.

Options for Further Research and Consideration

Adjusting the Uniform Per Student Funding Formula

There are important differences in the context for and impact of per pupil funding levels, between other states and the District of Columbia, many cited earlier in this chapter.

The following discussion is intended to introduce options, not to suggest definitive solutions. Implementation of any alternative to the current system could require additional funding and would first need to be reviewed by District leaders.

Three areas appear particularly relevant to current issues.

Adequacy determinations. In its structure, the District's funding formula is similar to many states' basic aid formulas. It sets a minimum "foundation" amount – \$5,500 in 1999 dollars (\$5,907 in FY2002) – to provide an adequate education for the student without special needs at the lowest-cost grade level. An adequate education should enable the student to achieve at the level defined by state-mandated standards. It provides percentage add-ons for students at certain grade levels because of their higher-cost program elements (small pupil/adult ratios in early childhood and Carnegie unit requirements and vocational education in senior high school, for example). It also provides add-ons for students with special needs, notably handicapped and LEP/NEP students.

In response to lawsuits seeking greater equity in resource allocation and public concerns about the quality of public education and the ability of students to meet state testing requirements, "adequacy" has become a focal point in recent research and conceptual thinking about school funding. The research has produced no definitive answers, but it suggests that amounts set in most, if not all, state formulas are inadequate. The District's foundation of \$5,500 was set at the lowest level proposed for the three states where studies had been completed as of 1998 – and these levels did not include extra resources for low-income children.⁵

Funding supplements for low-income children. Most states provide extra state funding, in addition to federal grant funds, for low-income students, sometimes as a per-student amount and sometimes through categorical aid for programs targeted at low-income children. The UPSFF does not do so, on the rationale that the percentage of low-income children in the District's public schools is so high that the entire program needs such enrichment. This approach assumes, however, that the overall foundation amount by itself is adequate to meet the needs of low-income students.

Special education funding mechanisms. Funding for special education students is provided through add-on weightings for each of five "intensity" (hours of service) levels of special education services. The amounts generated by the weightings are the single greatest subject of complaints of inadequacy by both public charter schools and DCPS. The absolute amounts are cited as part of the problem, but the variability of individual special

⁵ The three states were Illinois, Wyoming and New Jersey. The amounts referred to were adjusted for inflation and geographic cost differentials.

education needs is also a problem because hours of service to the individual student do not take into account group size, which can vary from one to 15 or 20, or wide variations in the cost of particular services. Particularly in the case of severely handicapped students, costs per pupil can vary by thousands of dollars annually. For this reason, some states use other, or additional criteria, particularly a particular student's disability type. Others do not attempt to use general criteria, but provide reimbursement of actual approved service costs.

Conclusion

The Williams administration recognizes that the District cannot continue its strong economic recovery without a vital education system, and that it cannot become a vibrant city without schools that allow its young people to thrive and excel academically. A commitment to finance and support public education in a way that ensures every child can succeed is an important step toward creating an excellent system of schools.

Parents can often say it best. As one parent stated at the Mayor's FY2002 Budget Hearing:

"The central office and each school need an adequate basic budget to cover the essential components to operate successfully. At the school level, there is no reason for Local School Restructuring Teams to be discussing whether to keep a science teacher, to buy supplies, or to hire a teacher's aide. Let's secure the basics throughout the school system, and make this kind of discussion a thing of the past."

Securing and maintaining resources that will make such choices a thing of the past will require the continued will and discipline of city leaders and the input and support of the community.